



City of Arts & Innovation

Development Committee

TO: DEVELOPMENT COMMITTEE MEMBERS DATE: OCTOBER 20, 2016

FROM: COMMUNITY & ECONOMIC DEVELOPMENT DEPARTMENT WARD: 1

SUBJECT: DOWNTOWN EVENT CENTER UPDATE - DIRECT SUBMITTAL

ISSUE

Receive an update on the feasibility study for the potential development of an event center, parking structure and a hotel on the surface Parking Lot 33.

RECOMMENDATIONS

That the Development Committee:

1. Receive an update on the feasibility study for the potential development of an event center, parking structure and a hotel on the surface Parking Lot 33, located on Third Street between Market and Orange Streets;
2. Reject all of the funding options proposed for the potential construction and development of the Project by the City; and
3. Direct staff to collaborate with key stakeholders, including the property owner of the Riverside Marriott, explore and identify possible development opportunities, including the potential expansion of the Convention Center, plus a private development of a hotel and other uses on the Property.

BACKGROUND

The City has contemplated the potential development of a new 140,000 square foot event center with up to 6,000 seats and a new parking structure with up to 1,500 spaces, on approximately 4.6 acres of city-owned property, located at the north end of the Convention Center (Project), also known as Parking Lot 33. The new parking structure would provide parking for both the new event center and the Convention Center.

On November 18, 2014, the City Council awarded a contract to HKG to conduct a feasibility study of the Project on the Property. HKG committed to provide the following deliverables: a market and financial feasibility study, an economic impact study, a funding analysis, a conceptual budget for the Project, and a master plan concept for \$49,850.

On April 13, 2015, HKG presented a Market Analysis and Financial Projections (Phase 1) prepared by Victus Advisors, LLC (Victus) to staff and projected the remaining tasks of the feasibility study to be completed by June 2015. Due to failure to perform by HKG, the Professional Consultant Services Agreement with HKG was terminated on July 27, 2015.

In order to finish the feasibility study left incomplete by HKG, staff engaged Victus, the firm that completed the Phase 1 report, to provide a cost estimate for the remaining tasks. Additionally, in order to gauge demand for more hotel rooms near the Convention Center, staff requested Victus to include this component in the feasibility study. Victus provided a proposal that includes an updated market analysis and financial projections (including study of a hotel), conceptual site plans, preliminary construction cost estimates, a funding options analysis, and an economic and fiscal impact analysis (Study). On December 15, 2015, the City Council approved a Professional Consultant Services Agreement with Victus for \$32,000 to complete the Study.

DISCUSSION

On May 18, 2016, Victus completed the Study (Attachment 1).

Study Summary

The Study concluded that there is a potential demand for an event center and indicated that the majority of comparable centers, identified in the report, were owned by the public sector, and development of these referenced facilities were made possible via Tax Increment Financing, Public Loans, Property Sales, General Funds, Hotel Tax, Sales Tax, Arena Revenues, and State Grants. A brief summary of the Study is as follows:

1. New Event Center:

- a. It must be owned and developed by the City.
- b. There is a possible demand for approximately 5,000 fixed seats and a U-shaped arrangement is recommended for concerts, sporting events, shows, community events, and convention support.
- c. There is a possible demand for approximately 105 events and 310,000 attendees annually, without a full-time minor league or collegiate sport tenant.
- d. Expenses are projected at approximately \$3.2 million annually with a net operating income of over \$800,000 annually less management fees.
- e. It must have access to at least 500 parking spaces in the adjacent new parking structure. While Victus recommends 500 parking spaces, 625 parking spaces are required pursuant to the parking requirement of the Downtown Specific Plan (one parking space per eight fixed seats).
- f. It will cost the City approximately \$87 million to construct.

2. New Parking Structure:

- a. It must also be owned and developed by the City.
- b. It could be an 8-story parking structure and could provide up to 1,340 on-site parking spaces to serve the Convention Center, new event center and hotel.
- c. While the Study stated that a typical event center with 5,000 seats would require over 1,600 parking spaces (one parking space for every three attendees), only a

portion of these parking spaces would be on-site to encourage attendees to park within walking distance and help promote economic impact via engagement with other local downtown businesses. Although Victus recommends at least 1,500 parking spaces to adequately accommodate parking for the event center, Convention Center and hotel at peak usage times, over 1,900 parking spaces is required pursuant to the parking requirement of the Downtown Specific Plan (Event center: 625 parking spaces, Convention Center: 1,000 parking spaces, and hotel: 280 parking spaces).

- d. It will cost the City approximately \$45 million to construct; a hotel developer could possibly share a portion of this cost.

3. New Hotel Tower:

- a. It could be privately owned and operated.
- b. It could be up to seven stories in height, with commercial space on the ground floor, including approximately 280 full-service rooms.
- c. It must have access to at least 340 parking spaces in the adjacent Parking Structure. While Victus recommends 340 parking spaces, only 280 parking spaces are required pursuant to the parking requirement of the Downtown Specific Plan (one parking space per one guest room).
- d. It will cost approximately \$71 million to construct.

The Study also concluded that there is a demonstrated demand for more hotel rooms in downtown, which provides for a private development opportunity, without financial contribution from the City, should the City desire to pursue a hotel development as an alternative project at the Project site.

An Alternative Option for Consideration

An alternative to the development of an events center is the potential expansion of the Riverside Convention Center. Such an expansion could include an indoor/outdoor amphitheater, possible expansion of the Riverside Marriott or the development of another hotel. Should an expansion of the site be desired, additional exploration is recommended to further consider possibilities.

As the Property is approximately 4.6 acres, staff anticipates it can accommodate both a new hotel plus an expanded Convention Center as well as other uses (parking structure, etc). Staff recommends that the Development Committee direct staff to collaborate with key stakeholders, including the property owner of the Riverside Marriott, explore and identify possible development opportunities, including the potential expansion of the Convention Center, plus a private development of a hotel and other uses on the Property.

FISCAL IMPACT

There is no fiscal impact with the report recommendations. Any development proposals resulting from the direction of the Development Committee will return to the Committee with a full fiscal analysis for recommendation to the City Council.

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Approved as to form:	Gary G. Geuss, City Attorney

Attachments:

1. Victus Feasibility Study Report
2. Presentation